



Quebec Grown
Premium Grade Cannabis

MANAGEMENT DISCUSSION & ANALYSIS

For the three and nine-month periods
ended May 31, 2025

July 25, 2025

CANNARA BIOTECH INC.

TSXV: **LOVE** OTCQB: **LOVFF** FRA: **8CB0**

This Management Discussion and Analysis (“**MD&A**”) of Cannara Biotech Inc. (“**Cannara**”, the “**Company**”, “**us**”, “**we**” or “**our**”) has been prepared by management as of July 25, 2025 and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company for the three and nine-month periods ended May 31, 2025.

The Company’s annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). Certain information and notes usually provided in the annual financial statements have been omitted or condensed. Therefore, this MD&A should also be read in conjunction with the information contained in the annual audited consolidated financial statements of the Company and the notes thereto for the year ended August 31, 2024.

Please also refer to the Company’s press release announcing its results for the fiscal quarter ended May 31, 2025, issued on July 28, 2025. Quarterly reports, and the Company’s Annual Information Form for the year ended August 31, 2024 (the “**AIF**”) can be found on SEDAR+ at www.sedarplus.ca and under the “Investor Area” section of our website at <https://www.cannara.ca/en/investor-area>.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless indicated otherwise.

All references in this MD&A to “Q3 2025” and “third quarter of 2025” are to Cannara’s fiscal quarter ended May 31, 2025, and “Q3 2025 YTD” to the nine-month periods ended May 31, 2025. References to “Q3 2024” and “third quarter of 2024” are to Cannara’s fiscal quarter ended May 31, 2024, and “Q3 2024 YTD” to the nine-months period ended May 31, 2024.

Additional information filed by Cannara with the Canadian Securities Administrators, including quarterly reports, the AIF and other material contracts can be found on-line at www.sedarplus.ca.

FORWARD-LOOKING STATEMENTS

This MD&A may contain “forward-looking information” within the meaning of Canadian securities legislation (“**forward-looking statements**”). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management’s expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, anticipated product offerings, the adequacy of its financial resources, the ability to adhere to financial and other covenants under lending agreements, future economic performance, and the Company’s ability to become a leader in the field of cannabis cultivation, production, and sales.

In certain cases, forward-looking statements can be identified by the use of words such as “plans,” “expects” or “does not expect,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates” or “does not anticipate,” or “believes,” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might” or “will be taken,” “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “may,” “future,” “expected,” “intends” and “estimates.” By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

FORWARD-LOOKING STATEMENTS (continued)

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail under “Risk Factors” in the Company’s AIF available on SEDAR+ at www.sedarplus.ca and under the “Investor Area” section of our website at <https://www.cannara.ca/en/investor-area>: compliance with laws, reliance on licenses, costs associated with numerous laws and regulations, change in laws, regulations, and guidelines, competition, competition from the illicit market, risks related to Canadian excise duty framework, insurance and uninsured or uninsurable risk, key personnel, labour costs, labour shortages, and labour relations, liquidity and future financing, conflicts of interest, litigation risk, intellectual property, IT and security risk, agricultural and cannabis operations, third-party transportation disruptions, commodity price risks, fluctuating prices of raw materials, environmental and employee health and safety regulations, restrictions on promotion and marketing, unfavorable publicity or consumer perception, significant ownership interest of management, directors, and employees, speculative nature of investment, global economy risk, risks related to the ownership of the common shares, forward-looking statements and risks, volatility of common shares market price, non-payment of dividends, future sales of common shares, unlimited issuance of common shares without shareholder approval, fluctuations in operating results, lack of research analyst coverage, limited control by shareholders over operations and risks related to internal controls over financial reporting.

This is not an exhaustive list of risks that may affect the Company’s forward-looking statements. Other risks not presently known to the Company or that the Company believes are not significant could also cause actual results to differ materially from those expressed in its forward-looking statements. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning the availability of capital resources, business performance, market conditions, as well as customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and the Company disclaims any intention to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

NON-GAAP AND OTHER FINANCIAL MEASURES

Management has included certain financial performance measures that are not recognized or defined under IFRS (“**non-GAAP measures**”). There are no standardized methods of calculating these non-GAAP measures, ratios and segment measures, management’s methods may differ from those used by others, and accordingly, these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

National Instrument 52-112 respecting Non-GAAP and Other Financial Measures Disclosure (“**NI 52-112**”) prescribes disclosure requirements that apply to the following types of measures used by the Company:

- i. non-GAAP financial measures;
- ii. non-GAAP and other supplementary financial ratios;

In this MD&A, the following non-GAAP measures, non-GAAP and other supplementary financial ratios and segment measures are used by the Company: adjusted EBITDA, free cash flow, working capital, segment gross profit before fair value adjustments as a percentage of segment total revenues, segment gross profit as a percentage of segment total revenues, segment operating income as a percentage of segment total revenues, gross profit as a percentage of total revenues and adjusted EBITDA as a percentage of total revenues.

Management of the Company (“**Management**”) employs these measures internally to measure operating and financial performance. Management believes that these non-GAAP and other financial measures provide useful information to investors and analysts regarding the Company’s financial condition and results of operations as they provide additional key metrics of its performance. These non-GAAP and other financial measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similarly named measures as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

These measures are defined in, “Glossary of non-GAAP and other financial measures” below and reconciliations to IFRS measures can be found in sections “Selected Financial Information”, “Selected Segment Results of Operations” and “Quarterly Financial Position and Results”.

GLOSSARY OF NON-GAAP AND OTHER FINANCIAL MEASURES (continued)

MEASURE	DEFINITION	COMPARABILITY	UTILITY TO MANAGEMENT AND INVESTORS
Adjusted EBITDA	<p>Adjusted EBITDA is defined as net income before changes in fair value of inventory sold, unrealized gain on changes in fair value of biological assets, amortization including amortization in cost of goods sold, write-down of inventory to net realizable value, gain on disposal of asset held for sale, gain or loss on disposal of property, plant and equipment and right-of-use assets, share-based compensation, net finance expense and income taxes.</p> <p>The exclusion of net finance expense and income taxes eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization, write-down of inventory to net realizable value, share-based compensation, changes in fair value of inventory sold, unrealized gains and losses on changes in fair value of biological assets, gain and losses on disposal of asset held for sale and right-of-use assets, and gains and losses on disposal of property, plant and equipment eliminates the non-cash impact of these items.</p>	Adjusted EBITDA is a non-GAAP financial measure that has no standardized definitions under IFRS, and, accordingly, these measures may not be comparable to similar measures used by other issuers.	Management believes that the use of adjusted EBITDA allows investors and analysts to understand the results of operations of the Company by excluding the non-operational activities and non-cash items for the period. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company's obligations. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.
Free cash flow	Free cash flow is defined as cash flow from operations less capital expenditures payments, defined as deposits on property, plant and equipment, acquisition of property, plant and equipment.	Free cash flow is a non-GAAP financial measure that has no standardized definitions under IFRS, and, accordingly, may not be comparable to similar measures used by other issuers.	Management considers free cash flow to be an important indicator of the financial strength and liquidity of its business as it indicates how much cash is available to service debt and to fund business investments or shareholder distributions.
Working Capital	Working capital is defined as total current assets minus total current liabilities for the corresponding quarter ended as at that date.	Working capital is a non-GAAP financial measure that has no standardized definitions under IFRS, and, accordingly, may not be comparable to similar measures used by other issuers.	Management believes that working capital is an important liquidity measure and allows investors and analysts to assess the Company's financial position.
Segment gross profit, before fair value adjustments as a percentage of segment total revenues	Segment gross profit, before fair value adjustments as a percentage of segment total revenues is defined as segment's gross profit before fair value adjustments divided by segment total revenues.	These percentages are other supplementary financial ratios related to segment measures that have no standardized definitions under IFRS, and, accordingly, may not be comparable to similar measures used by other issuers.	Management believes that the use of this percentage allows investors and analysts to understand the core profitability of operations excluding volatile fair value adjustments.
Segment gross profit as a percentage of segment total revenues	Segment gross profit as a percentage of segment total revenues is defined as segment's gross profit divided by segment total revenues.		Management believes that the use of this percentage allows investors and analysts to understand the efficiency of production and the cost management effectiveness.
Segment operating income as a percentage of segment total revenues	Segment operating income as a percentage of segment total revenues is defined as segment's operating income divided by segment total revenues.		Management believes that the use of this percentage allows investors and analysts to understand the operational efficiency and the profitability from core operations.
Adjusted EBITDA as a percentage of total revenues	Adjusted EBITDA as a percentage of total revenues is defined as adjusted EBITDA divided by total revenues.	Adjusted EBITDA as a percentage of total revenues is a non-GAAP financial ratio that has no standardized definitions under IFRS, and, accordingly, these measures may not be comparable to similar measures used by other issuers.	Management believes that the use of this percentage allows investors and analysts to understand the results of operations of the Company by excluding the effects of elements that are non-operational activities and non-cash items.

COMPANY PROFILE

Cannara was incorporated under the laws of British Columbia on October 19, 2017, and is currently listed and publicly traded on the TSX Venture Exchange (“**TSXV**”) under the symbol “**LOVE**”, the OTCQB under the symbol “**LOVFF**” and the Frankfurt Stock Exchange under the symbol “**8CB0**”. The Company’s headquarters are located in Montreal, Quebec.

Cannara Biotech Inc. is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products for the Canadian market. The Company’s main focus is to deliver premium quality cannabis products at disruptive retail pricing. Leveraging Quebec’s low electricity costs, Cannara owns and operates two Quebec-based facilities spanning over 1,650,000 square feet. Cannara’s first purpose-built, modern indoor cultivation facility is located in Farnham, Quebec, and measures 625,000 square feet, comprising 210,000 square feet of operational licensed area and 415,000 square feet of leased warehouse space (“**Farnham Facility**”).

The second facility (“**Valleyfield Facility**”) is a purpose-built cannabis hybrid greenhouse that is being designed into an indoor facility zone by zone, to ensure consistent and premium flower cultivation. The Valleyfield Facility is over one million square feet and is comprised of 24 independent growing zones totalling 600,000 square feet, a 225,000-square-foot cannabis 2.0 processing center and a 200,000-square-foot rooftop greenhouse located in Valleyfield, Quebec. Cannara operates through its wholly owned subsidiaries, Cannara Biotech (Quebec) Inc. and Cannara Biotech (Valleyfield) Inc., both holding active licenses issued by Health Canada under the Cannabis Act.

Cannara is a leading producer of premium quality cannabis. Cannara is transforming the cannabis buying experience by offering consumers what they have been asking for—high quality at great value, rotating genetics, transparent harvest and quality data, unique air-sealed packaging, attention to detail, and community responsiveness, all of which have a synergistic effect on product demand and market penetration.

Cannara promises a better value proposition for consumers, retailers, and investors alike—consumers save money when purchasing premium Cannara cannabis products, retailers experience a higher volume and velocity of sales, and investors benefit from a sustainable operation generating healthy and consistent gross margins. The Cannara platform consists of 2 low-cost facilities in Quebec, a lean labour force, and a passionate management team dedicated to product innovation, thoughtful leadership, and maintaining a low cost-structure, all designed to allow for the highest quality products at some of the most disruptive prices in retail. The Cannara model has resulted in a grassroots following in Quebec, significant brand awareness and affinity amongst Ontario, Alberta, British Columbia, Nova Scotia, Manitoba and Saskatchewan retailers and consumers, and additional inquiries for product distribution across the rest of Canada. As of the date of this MD&A, Cannara has achieved 2.7% penetration across cannabis retail stores in the markets it operates in, with an average of 12 Cannara products per listed store¹. With over 37,000 points of distribution (PODs), Cannara products account for an estimated 2.7% of total cannabis product retail listings nationwide reflecting a strong and growing presence in the highly competitive Canadian cannabis retail market and room for further growth¹.

National Distribution Performance¹

National Retail Listings	June 2025	Q3 2025	Q2 2025
% Cannara Retail Penetration	2.7%	2.7%	2.5%

¹ As reported by Turff Analytics in September 2024 to June 2025.

COMPANY PROFILE (continued)

Since 2021, Cannara has steadily expanded its cultivation footprint at the Valleyfield Facility, bringing 12 of its 24 grow zones online to meet rising demand as of the date of this MD&A. The 10th zone was activated in January 2024, the 11th in April 2025, and subsequent to quarter-end, the 12th zone was brought into cultivation. For Fiscal 2025, the Company met its goal of activating two additional zones, adding 50,000 sq. ft. of canopy and raising total production capacity to 39,500 kg annually.

Furthermore, through the extensive research, development, and refinement of various cultivation techniques, Cannara has increased total forecasted annual capacity by 26% from 39,500 kg to 50,000 kg — hitting the Company's Fiscal 2026 cultivation target a full year ahead of schedule.

As of this MD&A, Cannara operates 300,000 sq. ft. of active canopy at Valleyfield with approximately 100,000 plants in production, alongside 11,000 plants at its Farnham Facility. Combined, the two sites currently generate 50,000 kg per year. With 50% of Valleyfield's expansion potential realized, Cannara remains focused on scaling in line with market demand.

Looking ahead, the Company has now reached maximum post-processing capacity. As a result, the Fiscal 2026 capital program will prioritize the development of the new processing center at Valleyfield, enabling Cannara to scale post-processing and support the future activation of additional grow zones.

For the nine-month period ended May 31, 2025, the Company generated total net revenues of \$79 million, reflecting 35% year-over-year growth from \$58.7 million in the prior year. Gross profit before fair value adjustments reached \$32.7 million or 41% of total revenues, while adjusted EBITDA was \$20.7 million, representing 26% of total net revenues². Net income for the period totaled \$9.8 million, translating to basic and diluted earnings per share of \$0.11. From a cash flow perspective, the Company generated \$17.2 million in cash from operating activities and achieved positive free cash flow of \$12.3 million, compared to free cash flow of \$0.5 million in the prior year³. These results underscore Cannara's growing operational efficiency and disciplined capital deployment as it continues scaling production and expanding national market share.

As of May 31, 2025, Cannara's distribution network services 7 provinces: Quebec, Ontario, Alberta, British Columbia, Saskatchewan, Manitoba and Nova Scotia. Quebec, Ontario and Alberta currently represent the Company's main markets representing 89% of the Company's cannabis revenues for Q3 2025 YTD.

² Adjusted EBITDA and adjusted EBITDA as a percentage of total revenues are non-GAAP measures. A reconciliation of adjusted EBITDA from net income is included in the section "Selected Financial Information" of this MD&A.

³ Free cash flow is a non-GAAP measure. A reconciliation from operating cash flow is included in the section "Selected Financial Information" of this MD&A.

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COMPANY PROFILE (continued)

The Company's market share by listed province for the periods of September 2024 to May 2025, and for the most recently completed month, is presented below. In Q2 2025, Cannara revised its national market share calculation methodology. Previously based solely on Hifyre data, the calculation now integrates Weedcrawler data for Quebec and NSLC data for Nova Scotia, while continuing to use Hifyre for the rest of Canada.

Cannara achieved an estimated national retail market share of 3.9% for Q3 2025, maintaining steady performance with Q2 2025. As of June 2025, Cannara's estimated national retail market share was 3.8%⁴.

Province	June 2025	Q3 2025	Q2 2025	Q1 2025
National Retail Market Share	3.8%	3.9%	3.9%	3.7%
Quebec	12.6%	12.3%	12.8%	12.5%
Ontario	2.7%	2.9%	2.9%	2.6%
Alberta	2.4%	2.6%	2.7%	2.3%
British Columbia	1.7%	1.7%	1.5%	1.5%
Saskatchewan	1.6%	1.5%	1.0%	1.7%
Manitoba	1.1%	0.8%	0.6%	0.9%
Nova Scotia	0.6%	0.4%	0.5%	0.4%

Additional Information

Additional information about Cannara may be found at www.cannara.ca.

Investor information may be found at www.investors.cannara.ca.

The Company has designed several lines of branded apparel and accessories available for sale on its online website <https://cannaraswag.shop> (Quebec excluded due to provincial restrictions).

⁴ Based on retail market sales dollar estimates for the periods September 2024 to November 2024, December 2024 to February 2025, March 2025 to May 2025 and June 2025, calculated using dataset from Weedcrawler for Quebec retail sales contributions, NSLC for Nova Scotia retail sales, and Hifyre dataset for the rest of Canada.

CANNARA BIOTECH INC.

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CANNARA'S FACILITIES

FACILITY	SIZE	CAPACITY	TYPE	ELECTRICITY	FACILITY HIGHLIGHTS
FARNHAM, QUEBEC	Licensed area: 2100,000 sf Site: 625,000 sf Land: 1,430,000 sf	Active Grow Area: 28,000 sf 5,000 kg current capacity Active Cloning and Mother Area: 23,000 sf	Indoor	Power rate of approx. \$0.076/kw	<ul style="list-style-type: none"> Licensed area completed in 2019 State-of-the-art 11 independent grow rooms + cloning and mother rooms for both facilities Automated cultivation systems Solventless hash laboratory Pre-roll manufacturing center Packaging center R&D facility
VALLEYFIELD, QUEBEC	Licensed area: 600,000 sf Roof top greenhouse: 200,000 sf Processing and cannabis 2.0 processing center: 225,000 sf Site: 1,025,000 sf Land: 3,130,000 sf	Active Grow Area: 300,000 sf (12 of 24 zones) 45,000 kg Current capacity 100,000 kg Full capacity	Indoor	Preferential contracted power rate of approx. \$0.059/kw	<ul style="list-style-type: none"> Purpose-built in 2020 Onsite Hydro Quebec substation Fully outfitted and automated 24 independent grow rooms Blackout & shading systems Purpose-built cannabis greenhouse converted to replicate indoor conditions Processing center (under construction) BHO extraction laboratory

CANNARA'S BRAND PORTFOLIO

Cannara's portfolio consists of three flagship brands with distinctive identity and purpose, each filling a white space in Canada's current cannabis market. All three brands offer premium-grade cannabis, hang-dried, slow cured and trimmed perfectly to preserve the flower's natural properties. Our brand portfolio includes:

Brand	Story	Product Mix	Markets
	Tribal delivers uncompromised premium grade cannabis products to consumers who have a deep relationship with cannabis. From pheno-hunting rare genetics to unfolding each strain's lineage and flavour profiles, Tribal offers a continuous rotation of genetic strains at entry level pricing.	Dried Flower Pre-Rolls Infused Pre-rolls Live Resin Full Spectrum Extract Live Resin Vape Cartridges Accessories	Quebec Ontario Saskatchewan Alberta British Columbia Manitoba Nova Scotia
	Nugz is a cult-worthy movement committed to abundance, quality, and value. Nugz offers an exceptional product at disruptive retail prices specifically designed for long-time cannabis enthusiasts who have a sharp sense for quality but are looking for a price break that aligns with consuming habits.	Dried Flower Milled Flower (Grind) Pre-Rolls Infused Pre-Rolls Old School Hash Ice Water Hash Fresh Frozen Hash Rosin Edibles Vape Cartridges Accessories	Quebec Ontario Saskatchewan Alberta British Columbia Manitoba Nova Scotia
	Orchid CBD is a wellness brand dedicated to providing premium CBD-rich cannabis. Orchid CBD offers award winning strains of terpene-rich, trichome covered, oversized dried flowers that deliver softer blissful experiences with no compromise on quality and flavours.	Dried Flower Pre-Rolls Infused Pre-rolls Oils Live Resin Vape Cartridges	Quebec Ontario Saskatchewan Alberta British Columbia Manitoba

CANNARA'S GENETIC PORTFOLIO

Cannara has access to an extensive bank of genetics which includes exclusive strains only available from the Company in the Canadian market. By undergoing a rigorous pheno-hunting selection process, Cannara can further broaden the product mix for each one of its brands by providing consumers with unique, dedicated cannabis experiences from carefully selected cultivars for years to come. Our lineup of unique genetics currently available in the retail market include:

Genetic	Pheno #	Brand	Launch Date	THC	CBD (%)	Type	Aromas and Flavours
WAYGU DELIGHT	346	Nugz	June 2025	29%	<1%	Indica	Wagyu Delight has complex meat and motor flavours that give way to the subtle sweetness of blueberry on the exhale
PORTO LECHE	29	Tribal	June 2025	28%	<1%	Hybrid – Indica	Porto Leche hits high notes of rich berry and grape flavours upfront, followed by a smooth, creamy finish reminiscent of sweet milk
MEAT PIE	76	Nugz	April 2025	25%	<1%	Indica	Meat Pie bolsters bold diesel and spicy herb notes upfront, layered with fruity undertones and a distinct meaty finish
GUAVA JAM	18	Nugz	May 2024	29%	<1%	Indica	Guava Jam offers a sweet and tropical fruit flavour
NEON SUNSHINE	78	Tribal	April 2024	29%	<1%	Hybrid – Indica	Neon Sunshine leans heavy into citrus flavours and aromas, with a touch of octane to round out the experience.
BUBBLE UP	169	Tribal	April 2024	28%	<1%	Indica	Bubble Up provides a rare and sought-after champagne-like effervescent sensation with a spicy fresh aroma.
JIGGLERS	22	Tribal	October 2023	22%	<1%	Indica	Jigglers offers flavours and aromas of strawberries & cream.
DRIP STATION	15	Tribal	October 2023	25%	<1%	Indica	Drip Station presents gasoline scents blended with dewy earth and black licorice flavours.
TRIPLE BURGER	72	Tribal	November 2022	28%	<1%	Indica	Triple Burger complements Cannara's genetic library with heavy gas aroma and hints of skunk, rubber, and cheese and a touch of sweetness.
GALACTIC RNTZ	30	Tribal	November 2022	26%	<1%	Indica	Galactic Rntz's complex aroma and flavour provides a strong gas flavour with fruity, sour undertones.
POWER SHERB	3	Tribal	May 2022	24%	<1%	Indica	Power Sherb is silky smooth on the exhale and evokes a truly unique smell and taste of sweet gas and Neapolitan ice cream.
SLAPZ	50	Nugz	May 2022	24%	<1%	Indica	Slapz delivers incredibly sweet sour-gassy aromas with a mix of light earthy flavours.
TERPLE	8	Tribal	March 2022	22%	<1%	Hybrid – Sativa	Terple's aroma and flavour is complex with elements of sweet oranges, sour citrus, and spicy diesel.
CUBAN LINX	1	Tribal	June 2021	28%	<1%	Sativa	Cuban Linx packs a rich lemony aroma accentuated by hints of gassy diesel and a touch of spice.
CBD RUNTZ	7	Orchid CBD	June 2021	15%	8%	Hybrid - Sativa	CBD Runtz is an award-winning CBD rich strain that offers an abundance of terpenes, a fruity and sweet aroma that delivers a candy-like flavour.
EARLY LEMON BERRY	92	Nugz	March 2021	23%	<1%	Sativa	Early Lemon Berry features overwhelming citrus flavours thanks to its higher percentage of myrcene and ocimene terpenes. It smells like a mix of sweet grapefruit, lemons, and berries.
GELATO MINT	5	Tribal	February 2021	22%	<1%	Indica	Gelato Mint is best known for its fresh mint and cream flavours and aromas. As its name suggests, Gelato Mint smells like a fresh mint dessert with pepper and earthy pine undertones.

CANNARA'S COMPETITIVE ADVANTAGE

Each of Cannara's market launches has demonstrated positive consumer response to its brand strategy, pricing strategy, product offering, and genetic mix across retail outlets in Canada. The Company's premium quality cannabis at disruptive pricing has resulted in demand levels that keep growing in Canada, which reinforces Cannara's plan to continue to expand production at its Valleyfield Facility. Cannara's attention to detail, transparency, unique packaging, and community responsiveness have collectively added to its value proposition, which in turn has had a compounding effect on customer demand, market penetration, and satisfaction. Some notable examples of Cannara's competitive advantage include:

Scalable quality

Cannara delivers award-winning cannabis flower by staying true to craft cultivation practices—hang drying, hand trimming and slow curing—while scaling its operations significantly. With one of Canada's largest fully owned cultivation footprints and dozens of individually controlled grow rooms, Cannara combines precision and scale without compromising quality. Its meticulous approach, from cultivation through to packaging, positions the Company as one of the few capable of consistently producing premium cannabis at scale in Canada.

Price competitiveness

Cannara continues to uphold a value-based pricing strategy without compromising on quality. Leveraging Quebec's low electricity, utility, and labor costs, along with the favorable acquisition cost of its facilities and full vertical integration, Cannara benefits from meaningful cost advantages and economies of scale. These structural efficiencies enable the Company to offer premium cannabis at accessible prices while targeting gross margins above 40%.

Innovation in products

Cannara continues to lead with innovation and portfolio optimization across dried flower, infused pre-rolls and vapes. In Q3 2025, the Company launched 4 new products, including Nugz Neon Bubble Bath infused pre-rolls and an all-in-one cured resin vape blending Neon Sunshine and Bubble Bath genetics. In Quebec, Cannara debuted Meat Pie, a new Nugz dried flower cultivar in 3.5g, alongside the province-specific Tribal G Mint Trifecta infused pre-rolls, crafted to meet the <30% THC regulatory threshold.

In July 2025, Cannara secured approval, pending final procedural steps, to launch 5 live resin and rosin vape cartridges formulated to deliver full-spectrum flavor and aroma, without fillers or distillate and while remaining under 30% THC. These products are planned for national retail rollout at SQDC stores and online at SQDC.ca in November 2025 (Q1 2026):

Innovation in genetics

Cannara's commitment to innovation through an extensive pheno-hunting program continues to differentiate its product portfolio, working with 50-time award-winning Exotic Genetix, a world-renowned cannabis breeder, uncovering high-powered exotic cultivars each year. The Company screens hundreds of phenotypes from seed to identify high-yielding strains with elevated THC or CBD levels, distinctive terpene profiles, and market-resonating traits. In 2025, this disciplined R&D approach led to the discovery of three new standout genetics: Porto Leche for Tribal, and Wagyu Delight and Meat Pie for Nugz. Released in Ontario and Quebec in Q3 2025, these cultivars addressed key gaps in Canada's flower segment while reinforcing Cannara's leadership as the nation's top mass-premium 3.5g flower provider, with an estimated national retail market share of approximately 19% within this category as at the date of this MD&A⁵.

⁵ As reported by Turff Analytics, Rank & Share - Canada - Flower - Mass Premium - 3.5g, July 2025.

CANNARA'S COMPETITIVE ADVANTAGE (continued)

Brand loyalty

Since its inception, Cannara has successfully built enduring brand equity through its flagship brands—Tribal, Nugz and Orchid CBD—launched in 2019. In an industry where brand loyalty is notoriously difficult to achieve, Cannara's consistent delivery of high-quality cannabis at accessible prices has fostered strong consumer retention and engagement. The "stickiness" of its products is reflected not only in repeat purchase behavior but also in the growing popularity of Cannara's branded accessories and apparel. This lifestyle adoption signals a deeper emotional connection to the brands—an achievement few cannabis companies have replicated. As a result, Cannara is uniquely positioned to continue building lasting consumer loyalty while scaling its presence across Canada.

Community engagement and customer service

Cannara's commitment to customer service and community engagement is a key differentiator in the cannabis industry. The Company prioritizes direct, transparent communication with every customer—resolving inquiries quickly and thoughtfully to build trust and long-term loyalty. Cannara also maintains an active presence on Discord (<https://discord.gg/cannara>), where over 1,500 engaged consumers and retailers provide real-time feedback and share product experiences. This dynamic platform enables two-way dialogue, fuels innovation, and fosters a strong sense of community.

MARKET INSIGHTS

Canada's legal cannabis industry has matured into a multi-billion-dollar market, with an estimated \$1.41 billion in retail sales for Cannara's Q3 2025⁶. While growth has slowed from the rapid expansion of early years, opportunity still exists to shape the evolution of this industry and become leading licensed producer across Canada's largest provincial markets: Ontario, Alberta, Quebec, and British Columbia in addition to secondary markets like Saskatchewan, Manitoba and Nova Scotia.

QUEBEC

The Société québécoise du cannabis (SQDC), Quebec's provincial distributor, generated estimated revenues of approximately \$220.4 million for the three-month period ended May 31, 2025⁷. The SQDC retail network has expanded from 28 stores in fiscal 2020 to 107 locations as of the date of this MD&A. Despite this growth, Quebec remains underpenetrated, with just one store per 100,000 residents—compared to approximately one store per 10,000 in Ontario and British Columbia.

During this period, Cannara captured an estimated 12.3% retail market share in Quebec, ranking as the third-largest licensed producer in the province. For the month of June 2025, Cannara's estimated retail market share in Quebec increased to 12.6%, holding the second highest market share by licensed producer in this core market⁷. The Company's sustained success in Quebec is driven by strong brand equity and a consistent delivery of premium-quality products.

In a major category expansion, the SQDC announced that vape cartridges will be permitted for sale in Quebec starting November 2025, with a total of 30 SKUs to be listed: 25 for full distribution across all stores, and 5 available exclusively online. In July 2025, Cannara secured approval, pending final procedural steps, for 5 vape cartridges to be included in the launch, representing 20% of in-store SKU's, to be distributed across all store locations, in addition to being sold online. Consumer demand signals strong potential for this vape category in Quebec, with a recent survey by the Institut de la statistique du Quebec reporting that 25% of Quebec consumers vaped in the past year, with 28% of those doing so at least weekly. With vape cartridges accounting for approximately 15% of total sales in Alberta, Ontario, and British Columbia, Quebec's upcoming rollout represents an untapped growth driver in Canada's legal cannabis market.

⁶ As reported by Hifyre Dataset for the period of March 2025 to May 2025.

⁷ Based on estimated sales data provided by Weed Crawler, for the period of March 2025 to May 2025, and June 2025.

MARKET INSIGHTS (continued)**ONTARIO**

Ontario continues to lead Canada's recreational cannabis market. According to Hifyre, retail stores in the province sold approximately \$553.6 million in cannabis products between March 2025 and May 2025. In Q3 2025, Cannara had 87 active SKUs in the province, with products available in over 1,500 retail stores—representing approximately 2.9% of Ontario market share. In June 2025, the Company's estimated market share 2.7%, with an estimated \$5.1 million in retail sales⁸. This slight decrease compared to an estimated 2.9% market share during the previous quarter reflects the highly competitive pricing dynamics in Ontario and Cannara's disciplined approach to profitable growth, prioritizing margin preservation over aggressive discounting. The Company continues to evaluate targeted strategies to regain share while maintaining its focus on sustainable, high-margin sales.

ALBERTA

Alberta is Canada's second-largest cannabis market and has been a strategic focus for Cannara since May 2023. According to Hifyre, retail stores in the province sold approximately \$254.6 million in cannabis between March 2025 and May 2025. During Q3 2025, Cannara launched three new SKUs in the province—Tribal Galactic Rntz Trifecta infused pre-rolls, Tribal Cuban Linx Supernova all-in-one live resin vape, and the Nugz Neon Bubble Bath all-in-one cured resin vape. In June 2025, Cannara's estimated retail market share in Alberta was 2.4%, with an estimated \$2.0 million in retail sales. While market share slightly fluctuated from 2.6% in Q3 to 2.4% in June, this reflects Cannara's deliberate prioritization of portfolio optimization and disciplined market entry, ensuring product launches are margin-accretive and positioned for long-term growth rather than short-term volume spikes⁹.

BRITISH COLUMBIA

British Columbia is Canada's third-largest cannabis market, with an estimated \$226.6 million in retail sales from March 2025 to May 2025. Cannara entered the B.C. market in September 2022, leveraging a significant cost advantage driven by Quebec's low electricity rates and competitive labour costs—the two largest inputs in cannabis cultivation. For Q3 2025, the Company is estimated to have increased its retail market share to 1.7% in the province driven by the launch of the Tribal Trifecta product line (Cuban Linx and Triple Burger) and one of Tribal's most recent cultivars, Neon Sunshine. As of June 2025, Cannara's estimated market share in British Columbia remained at 1.7% with an estimated \$1.3 million in retail sales⁹.

SASKATCHEWAN

Saskatchewan generated an estimated \$53.3 million in retail cannabis sales from March 2025 to May 2025. During Q3 2025, Cannara's market share, increased by 0.5% to an estimated 1.5% for the quarter in line with the Company's successful transition to a new private distributor. In June 2025, Cannara's estimated retail market share was 1.6%⁹.

MANITOBA

Manitoba generated an estimated \$53.6 million in retail cannabis sales from March 2025 to May 2025. Cannara entered the market in May 2024 and is steadily expanding its footprint. In Q3 2025, the Company estimates a retail market share of 0.8%, from 0.6% the previous quarter. As of June 2025, the Company's estimated market share in Manitoba continued to increase to 1.1%⁹.

NOVA SCOTIA

Nova Scotia generated an estimated \$32.4 million in retail cannabis sales from March 2025 to May 2025. Cannara entered the market in March 2024 and has been gradually expanding its presence. For Q3 2025, the Company estimates a market share of 0.4%. As of June 2025, market share increased to 0.6%, partially attributed to the launch of three new SKUs—Orchid CBD CBD Rntz 3.5g dried flower, Tribal Cuban Linx Full Spectrum Extract, and the Nugz Lemon Linx all-in-one cured resin vape¹⁰.

⁸As reported by Turff Analytics, June 2025.

⁹As reported by Hifyre Dataset for the period of March 2025 to May 2025, and June 2025.

¹⁰Based on Nova Scotia NSLC sales data for the periods of March 2025 to May 2025 and June 2025.

MARKET INSIGHTS (continued)**NEWFOUNDLAND & LABRADOR**

In the latest fiscal year for the Newfoundland and Labrador Liquor Corporation (April 6, 2024 – April 5, 2025), Newfoundland and Labrador recorded \$102.8 million in total cannabis sales, up 17.4% from the prior¹¹. In June 2025, Cannara secured two listings to enter the Newfoundland market in Q4 2025, launching with Tribal Cuban Linx live resin vape (Canada's #1 live resin vape) and with the Tribal Neon Sunshine live resin vape. With this new market, Cannara will be distributed in 8 out of 10 Canadian provinces, with New Brunswick and Prince Edward Island as well as Canada's territories (Yukon, Northwest Territories, Nunavut) remaining.

CANADIAN CANNABIS MARKET TRENDS**Price Compression**

Price compression remains a significant challenge in the Canadian cannabis industry, driven by intense competition among more than 1,200 Licensed Producers. Despite these headwinds, Cannara delivered strong performance in Q3 2025, generating gross cannabis revenues of \$37.8 million, up \$11.6 million or 44% from the same period last year. The Company also improved its gross profit margin before fair value adjustments, rising from 29% to 44% year-over-year — a result of greater operational efficiency, consistent consumer demand, and a disciplined focus on margin preservation over aggressive discounting.

Current Developments Related to the Excise Tax Act.

Given the impacts of price compression, excise tax has grown to become a larger component of net revenue, as it is predominantly computed as a fixed price on grams sold rather than as a percentage of the selling price. Currently, excise tax represents over 30% of the Company's gross cannabis revenues, constituting a significant portion of our costs and cash outflows. For Q3 2025, excise taxes represent \$11.5 million and \$33.7 million for Q3 2025 YTD.

It has been reported that the Standing Committee on Finance has recommended to Canada's Finance Minister that the current excise tax regime be replaced with a 10% ad valorem tax regime. We welcome the possibility of excise tax reform to strengthen the Canadian cannabis industry as a whole. Any changes to Canadian cannabis excise tax policy could have a material impact on the Company's operations.

BUSINESS REVIEW & OUTLOOK

Cannara proactively monitors and evaluates product performance and market growth opportunities in an effort to continue to grow market share, revenue, and uphold its commitment to long-term business growth and stability. The Company plans to allocate resources toward both ongoing and new initiatives throughout the 2025 fiscal year, focusing on the following core objectives:

Core Objectives

1. Meet market demand by expanding production capacity and enhancing sales efforts.
2. Expand product portfolio to drive revenue through strong consumer preference and product performance, including the identification and cultivation of new trend-setting flower genetics.
3. Increase national Canadian market share and maintain industry stewardship.
4. Grow positive Adjusted EBITDA and operating cash flow.

¹¹ Newfoundland and Labrador Liquor Corporation, "Fourth Quarter (Q4) Performance 2025," nliquorcorp.com.

BUSINESS REVIEW & OUTLOOK (continued)**1. Meet Market Demand**

Since entering the Canadian recreational cannabis market, Cannara has steadily expanded its cultivation footprint to meet growing consumer demand while maintaining a disciplined focus on profitable growth. As of this MD&A, the Valleyfield Facility has 12 of its 24 grow zones online, totaling approximately 300,000 square feet of active canopy, alongside 28,000 sq. ft. at Farnham.

In Fiscal 2025, the Company successfully activated two additional grow zone reaching 12 grow zones, adding 50,000 square feet and increasing total annual production capacity initially to 39,500 kilograms. As a result of extensive research and development on cultivation techniques during the quarter, Cannara was able to optimize its cultivation cycle time, which lifted total output by 26% to 50,000 kilograms per year — effectively achieving its Fiscal 2026 production target one year ahead of schedule.

Importantly, Cannara's approach to expansion remains measured and margin-focused. While the Valleyfield Facility has only realized half of its full 24-zone capacity, the Company's strategy is to scale production gradually, in line with market demand, rather than pursuing rapid volume growth at the expense of profitability. This disciplined approach, coupled with investments in sales and marketing, positions Cannara to strengthen brand recognition and loyalty across its three flagship brands — Tribal, Nugz and Orchid CBD — while protecting margins in an increasingly competitive landscape.

Looking forward, with the Valleyfield facility now producing at maximum existing post-processing capacity, the Fiscal 2026 capital program will prioritize building out the new processing center, enabling the Company to support additional grow zone activations while maintaining and improving operational efficiency.

2. Expand Product Portfolio

By growing successful product lines and strengthening its position within priority categories, Cannara is effectively capturing market share and reinforcing its leadership through disciplined category management and targeted innovation. Launch highlights of Cannara's product portfolio for Q3 2025 include:

- Quebec Tribal G Mint Trifecta infused pre-rolls (unique sub 30% THC offering for Quebec as per provincial regulations)
- Nugz Neon Bubble Bath infused pre-rolls
- Nugz Neon Bubble Bath all-in-one cured resin vape
- Nugz Meat Pie dried flower

For Q4 2025, the Company has secured approval for 11 new product launches: 10 in Ontario and 1 in Quebec. These include two new genetics, Waygu Delight and Porto Leche, and Cannara's first accessory listing with the SQDC, the Häpple glass hash pipe:

- Nugz Waygu 7g dried flower and 7 x 0.5g multipack pre-rolls
- Tribal Porto Leche 3.5g dried flower and 5 x 0.6g multipack pre-roll
- Nugz Guava Jam 7 x 0.5g multipack pre-rolls
- Tribal G Mint Supernova all-in-one live resin vape
- Tribal Galactic Rntz Supernova all-in-one live resin vape
- Tribal Triple Burger Supernova all-in-one live resin vape
- Tribal Bubble Up Trifecta infused pre-rolls
- Tribal Neon Sunshine Genetic Pro 510 vape battery
- Häpple glass hash pipe

Looking into FY2026, Cannara will enter Quebec's new vape cartridge category with five approved SKUs, including three live resin and two solventless live rosin vapes, representing 20% of the 25 in-store products authorized by the SQDC. Developed by the Company's R&D team and validated through consumer sensory testing, these formulations comply with Quebec's regulatory framework, including sub-30% THC and no distillate or fillers. This launch marks Cannara's entry into a previously restricted segment in its largest provincial market and reinforces its position as Canada's #1 premium live resin vape provider.

BUSINESS REVIEW & OUTLOOK (continued)

The timing aligns with strong regional category performance, with vape products accounting for 17.7% of total cannabis sales in neighboring Ontario in 2024¹². With the SQDC reporting \$741.5 million in cannabis revenue last year, Quebec's vape rollout presents a significant new growth driver within the Canadian legal market¹³.

The Company continually researches new genetics to strengthen its product portfolio. Its rigorous pheno-hunting program selects a few top-performing cultivars from hundreds, focusing on brand fit, potency, yield, and market appeal. The fiscal 2025 pheno-hunt is ongoing to deliver new exotic genetics for fiscal 2026 launches.

3. Increase National Market Share

The Canadian cannabis industry continues to evolve rapidly following federal legalization just over six years ago. Cannara's facilities, brands, and genetic portfolio have established a strong presence in Canada's four largest markets: Ontario, Alberta, Quebec, and British Columbia, along with three secondary markets. The table below shows national market share for the most recent quarter compared to the prior quarter. Cannara's performance across provinces highlights its ongoing success and ability to capture market share from competitors.

Q3 2025 vs Q2 2025 Market Share by Province¹⁴

The table below presents the Company's provincial market share for the most recent completed quarter, along with a comparison to the previous quarter.

Province	Q3 2025	Q2 2025	Variance
Quebec	12.3%	12.8%	-4.0%
Ontario	2.9%	2.9%	0%
Alberta	2.6%	2.7%	-3.7%
British Columbia	1.7%	1.5%	+13.3%
Saskatchewan	1.5%	1.0%	+50.0%
Manitoba	0.6%	0.6%	0%
Nova Scotia	0.4%	0.5%	-20.0%

Q3 2025 vs Q3 2024 Market Share by Province¹⁵

The table below presents the Company's provincial market share for the most recent completed quarter MD&A, along with a comparison to the previous year quarter.

Province	Q3 2025	Q3 2024	Variance
Quebec	12.3%	9.7%	+26.8%
Ontario	2.9%	2.9%	0%
Alberta	2.6%	3.1%	-16.1%
British Columbia	1.7%	0.8%	+112.5%
Saskatchewan	1.5%	0.4%	+275%
Manitoba	0.6%	NA	NA
Nova Scotia	0.4%	NA	NA

¹² OCS, Annual Data Report 2024

¹³ SQDC, Annual Report 2024

¹⁴ As reported by Hifyre data for the periods of December 2024 to February 2025 and March 2025 to May 2025 in all listed provinces excluding Quebec where Weed Crawler was deemed more accurate, and Nova Scotia where NSLC wholesale data was deemed to be more accurate.

¹⁵ As reported by Hifyre data for the periods of March 2024 to May 2024 and March 2025 to May 2025 in all listed provinces excluding Quebec where Weed Crawler was deemed to be more accurate, and Nova Scotia where NSLC wholesale data was deemed to be more accurate.

BUSINESS REVIEW & OUTLOOK (continued)**3. Increase National Market Share**

The Company is also evaluating opportunities to expand into new provinces, as demonstrated by its entry into Nova Scotia and Manitoba in fiscal year 2024. Our priority remains to grow market share in existing markets, with the evaluation of entry into the provincial markets of New Brunswick and Prince Edward Island ongoing.

Cannara remains focused on its core markets in Canada, driving growth through expanded distribution, attracting new customers, and launching innovative products to further increase its market share. Supported by strategic entries into emerging secondary markets such as Manitoba and Nova Scotia, Cannara is well-positioned to capitalize on the projected growth of the Canadian cannabis market, which is expected to reach a total value of USD\$6.58 billion by 2029¹⁶.

4. Grow Positive Adjusted EBITDA and Operating Cash Flow

Cannara remains focused on consistently delivering positive Adjusted EBITDA and operating cash flow, driven by its strategic emphasis on premium-grade cannabis products offered at disruptive retail pricing. This is made possible by the Company's lean operational model and the cost efficiencies of its two facilities, which benefit from Quebec's low electricity rates and competitive labor costs.

To reinforce its position as a vertically integrated leader in premium cannabis, Cannara has developed a purpose-built manufacturing platform that fuels its award-winning brands and top-performing products—including Quebec's #1 infused pre-rolls, Canada's #1 live resin vapes, and Canada's #1 solventless hash rosin¹⁷. Cannara's vertical stack includes a high-throughput pre-roll automation centre, a dedicated solventless hash lab, and one of only three operational butane hash oil (BHO) extraction facilities in Canada. Engineered for efficiency, consistency, and profitability, this platform enables full lifecycle utilization of biomass ensuring that every part of the plant is converted into high-value finished goods across multiple categories. Recent operational enhancements have scaled Cannara's BHO output to an average of 100 kg of butane hash oil per week, securing reliable in-house input for Cannara's infused and vape product portfolio and driving margin expansion through internalization of high-value processes.

The Company's agility and disciplined approach to profitability have led to the development of high-demand SKUs designed to generate strong gross margins. For the three-month period ended May 31, 2025, Cannara reported Adjusted EBITDA of \$7.6 million, up from \$2.8 million in the same period of last year. Operating cash flow was \$13.9 million compared to same period of 2024 where \$4.3 million was generated, reflecting the results of the growth in total revenues, cost optimizations across raw material and labor, as well as the timing of advance payments of excise tax obligations paid in previous quarter¹⁸.

For the nine-month period ended May 31, 2025, Adjusted EBITDA reached \$20.7 million compared to \$11.4 million in the prior year, while operating cash flow was \$17.2 million, compared to \$7.5 million generated in 2024¹⁸.

¹⁶ Statista Market Insights, March 2024, USD\$.

¹⁷ As reported by Turff Analytics, Rank & Share - Canada, July 2025.

¹⁸ Adjusted EBITDA is a non-GAAP measure. A reconciliation of adjusted EBITDA from net income is included in the section "Selected Financial Information" of this MD&A.

THIRD QUARTER OF 2025 AND SUBSEQUENT EVENT HIGHLIGHTS**OPERATIONAL****March 2025 - Appointment of Justin Cohen as Director**

On March 24, 2025, the Company announced the appointment of Mr. Justin Cohen to its Board of Directors as an independent director. Mr. Cohen also joins the Audit Committee. A seasoned executive with a strong track record in brand development, digital transformation, and commercial strategy, Mr. Cohen brings a wealth of experience from leadership roles at Psycho Bunny, Keurig Dr Pepper, Google, ALDO Group, and Sony Music. His appointment aligns with Cannara's strategic focus on strengthening its flagship brands—Tribal, Nugz and Orchid CBD—and scaling national market presence through enhanced consumer engagement and operational excellence.

April and June 2025 – Activation of two additional grow zones and the optimization of cultivation cycle time

In April and June 2025, Cannara activated two additional grow zones at the Valleyfield Facility, expanding total cultivation capacity by 50,000 square feet. In parallel, the Company achieved a major operational milestone by optimizing its cultivation cycle time through its ongoing and extensive research and development efforts. These improvements increased both yield and harvest frequency, enabling Cannara to increase its production capacity from 39,500 kg to 50,000 kg annually reaching its Fiscal 2026 production target one year ahead of schedule, while maintaining a disciplined, margin-focused growth strategy.

June 2025 – Letter of intent signed for the sale of the building held for sale

In June 2025, Cannara signed a binding letter of intent for the sale of the building and related land held for sale adjacent to the Company's Valleyfield Facility for approximately \$5.5 million, with the transaction expected to close at the end of July 2025. Funds are expected to be used to pay down the principal portion of the Company's term loan.

June 2025 – Brand of the Year Award

On June 18, 2025, the Company announced it had been honoured with two awards at the 6th Annual Grow Up Awards Gala held in Toronto on May 28, 2025. The Company's Tribal brand was named Brand of the Year, and its Nugz Häpple product was awarded the Accessory of the Year prize. The Grow Up Awards Gala is a nationally recognized event celebrating outstanding achievement in the Canadian cannabis industry.

July 2025 – Approval of 5 live resin and rosin vape SKUs for entry into Quebec's newly opened vape market

In July 2025, Cannara secured approval to launch 5 live resin and rosin vape cartridges, representing 20% of the 25 vape products authorized for in-store sale in Quebec's newly opened vape category. This milestone marks Cannara's entry into a major new market segment and underscores its ability to develop products that meet regulatory thresholds without compromising quality. With a proven track record as a vape leader across other provinces, Cannara is well-positioned to capture share and drive growth in its largest provincial market.

FINANCING

The Company has access to a revolving credit facility for working capital purposes. Each tranche carries a 30-, 60-, or 90-day term, as determined by management, and can be renewed at maturity. The facility bears a variable interest rate based on either the prime rate or the Canadian Overnight Repo Rate Average ("CORRA"), plus an applicable margin. As of May 31, 2025, the weighted average interest rate was 6.22%. During Q3 2025, the Company extended all tranches to 90-day terms. Subsequent to quarter-end, all tranches were renewed for 30-day terms at an interest rate below 6%.

March 2025 – Removal of related party limited recourse guarantee on BMO Credit Facility

As of March 2025, the Company successfully met key covenant thresholds under its credit agreement with BMO, eliminating the need for the limited recourse guarantee previously provided by a related party. This milestone reduced annual interest expense by approximately \$375,000, strengthening Cannara's capital structure and lowering its cost of debt.

THIRD QUARTER OF 2025 AND SUBSEQUENT EVENT HIGHLIGHTS (continued)**OPERATIONAL (continued)****May 2025 - Olymbec Convertible Debenture Repayment**

In May 2025, the Company had made a \$1 million repayment against the convertible debenture originally issued on June 21, 2021, as amended on August 31, 2023, and January 30, 2024, in the total initial principal amount of \$5.7 million (the “Olymbec Convertible Debenture”). This repayment aligns with Cannara’s disciplined approach to capital management and reflects its commitment to reducing leverage while maintaining financial flexibility.

A copy of the Olymbec Convertible Debenture (as amended and restated) has been filed under the Company’s profile on SEDAR+ at www.sedarplus.ca.

June 2025 – Reduced Interest Rate on BMO Credit Facility

On June 18, 2025, the Company announced it had completed an agreement to amend and restate its existing credit agreement with BMO acting as administrative agent, lead arranger, syndication agent and sole bookrunner (the “Restated Credit Facility”) to obtain a total reduction of 50 basis points in the interest rate spread. This reduction was achieved in two stages: an initial 25 basis point decrease secured through an amendment to the credit agreement, followed by an additional 25 basis point reduction triggered by the Company’s successful achievement of certain covenant thresholds as of Q2 2025 (ended February 28, 2025). As a result, Cannara’s overall cost of debt on its credit facility reduced from over 8% in 2024 to now below 6%, underscoring its strong financial performance and disciplined approach to capital structure management.

Subsequent to quarter-end, the Company achieved a further 25 basis point interest rate reduction after meeting key covenant thresholds as of Q3 2025, resulting in the full additional savings to be realized in reduced interest expense going forward.

A copy of the Restated Credit Facility has been filed under the Company’s profile on SEDAR+ at www.sedarplus.ca.

CAPITAL TRANSACTIONS

During Q3 2025, the Company granted 100,000 stock options at an exercise price of \$1.25 and 84,400 stock options at an exercise price of \$1.80 to employees subject to certain vesting and conditions in accordance with the Company’s employee share option plan and expiring in 7 years. The Company also granted 22,500 RSUs without performance conditions and exercisable for no consideration, which will vest in 2 years, to a board member.

Subsequent to quarter-end, the Company granted 7,500 stock options at an exercise price of \$1.80 to employees subject to certain vesting and conditions in accordance with the Company’s employee share option plan and expiring in 7 years.

CANNARA BIOTECH INC.

Management Discussion & Analysis

For the three and nine-month periods ended May 31, 2025



SELECTED FINANCIAL INFORMATION

Selected Financial Highlights	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Financial Summary				
Net revenue ¹	\$ 27,268,032	\$ 19,475,137	\$ 78,681,871	\$ 58,563,040
Other income	64,853	69,779	307,585	148,373
Total revenues	27,332,885	19,544,916	78,989,456	58,711,413
Gross profit, before fair value adjustments	12,057,743	5,747,047	32,672,116	20,824,040
Gross profit	12,882,763	6,958,256	35,017,236	19,334,110
Operating expenses	6,118,036	3,404,212	18,143,204	14,300,967
Operating income	6,764,727	3,554,044	16,874,032	5,033,143
Net finance expense	972,377	1,530,658	3,318,384	4,349,098
Income before income taxes	5,792,350	2,023,386	13,555,648	684,045
Net income	4,142,169	2,023,386	9,762,573	684,045
Adjusted EBITDA ²	7,600,525	2,776,397	20,684,044	11,447,529
Percentages of Total revenues				
Gross profit, before fair value adjustments as a percentage of Total revenues ³	44%	29%	41%	35%
Gross profit as a percentage of Total revenues ⁴	47%	36%	44%	33%
Operating income as a percentage of Total revenues ⁵	25%	18%	21%	9%
Income before income taxes as a percentage of Total revenues ⁶	21%	10%	17%	1%
Net income as a percentage of Total revenues ⁷	15%	10%	12%	1%
Adjusted EBITDA as a percentage of Total revenues ⁸	28%	14%	26%	19%
Earnings per share				
Basic earnings per share	\$ 0.05	\$ 0.02	\$ 0.11	\$ 0.01
Diluted earnings per share	\$ 0.04	\$ 0.02	\$ 0.11	\$ 0.01
			May 31, 2025	August 31, 2024
Cash			\$ 14,407,569	\$ 6,620,387
Accounts receivable			14,087,899	13,036,873
Biological assets			7,403,862	6,649,591
Inventory			41,588,100	33,423,515
Working capital ⁹			49,385,349	40,471,844
Total assets			170,087,355	154,719,973
Total current liabilities			34,616,948	27,002,000
Total non-current liabilities			36,877,001	39,766,484
Net assets			98,593,406	87,951,489
Free cash flow for the quarter ended ¹⁰			11,695,142	2,693,427

¹ Net revenue includes revenue from sale of goods, net of excise taxes and lease revenues.

² Adjusted EBITDA is a non-GAAP financial measure.

³ Gross profit before fair value adjustments as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁴ Gross profit as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁵ Operating income as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁶ Income before income taxes as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁷ Net income as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁸ Adjusted EBITDA as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁹ Working capital is a non-GAAP financial measure. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

¹⁰ Free cash flow is a non-GAAP financial measure. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

SELECTED FINANCIAL INFORMATION (continued)**Reconciliation of adjusted EBITDA**

Adjusted EBITDA is a non-GAAP Measure and can be reconciled with net income, the most directly comparable IFRS financial measure, as detailed below.

Adjusted EBITDA as a percentage of total revenues is a non-GAAP financial ratio, determined as adjusted EBITDA divided by total revenues.

Reconciliation of adjusted EBITDA	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Net income	\$ 4,142,169	\$ 2,023,386	\$ 9,762,573	684,045
Adjustments:				
Changes in fair value of inventory sold	6,511,629	5,137,341	19,285,605	17,161,049
Unrealized gain on changes in fair value of biological assets	(7,336,649)	(6,348,550)	(21,630,725)	(15,671,119)
Amortization, including amortization in cost of good sold	1,194,959	1,785,153	4,240,409	4,134,592
Write-down of inventory to net realizable value	204,596	283,244	1,035,679	1,206,613
Gain on disposal of asset held for sale	-	(2,039,007)	-	(2,039,007)
Loss on disposal of property, plant and equipment and right-of-use asset	(1,509)	-	(300)	5,380
Share-based compensation	262,772	404,172	879,344	1,616,878
Net finance expense	972,377	1,530,658	3,318,384	4,349,098
Income taxes	1,650,181	-	3,793,075	-
Adjusted EBITDA*	\$ 7,600,525	\$ 2,776,397	\$ 20,684,044	\$ 11,447,529
Adjusted EBITDA as a percentage of Total revenues **	28%	14%	26%	19%

*Non-GAAP financial measure

**Non-GAAP financial ratio

Reconciliation of free cash flow

Free cash flow is a non-GAAP measure and can be reconciled with Cash from operating activities, the most directly comparable IFRS financial measure, as detailed below.

Reconciliation of free cash flow	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Cash from operating activities	\$ 13,901,854	\$ 4,325,380	\$ 17,186,287	\$ 7,496,392
Adjustment:				
Capital expenditures	2,206,713	3,082,853	4,892,715	6,975,869
Free cash flow*	\$ 11,695,141	\$ 1,242,527	\$ 12,293,572	\$ 520,523

*Non-GAAP financial measure

SELECTED FINANCIAL INFORMATION (continued)**Q3 2025 vs Q3 2024 Comparable Period Highlights**

- Gross cannabis revenues before excise taxes increased to \$37.8 million in Q3 2025 from \$26.2 million in Q3 2024, a \$11.6 million or 44% increase. The increase is attributable to increased market penetration in existing markets, entry into new markets and the addition of new genetics and products in its portfolio increasing overall sales generation;
- Total revenues, net of excise taxes, increased to \$27.3 million in Q3 2025 from \$19.5 million in Q3 2024, a \$7.8 million or 40% increase;
- Gross profit before fair value adjustments rose to \$12.1 million in Q3 2025, up 110% from \$5.7 million in Q3 2024. This strong growth was driven by expanded production capacity following the activation of the 10th grow zone in Q1 2025 and the 11th and 12th grow zones in Q3 2025. In addition, continuous enhancements to cultivation practices significantly improved operational efficiency and boosted yields, which was also supported by the Company's pheno-hunt program, which identified higher yielding genetics;
- Gross profit percentage before fair value adjustments increased to 44% in Q3 2025 from 29% in Q3 2024, driven by increased production capacity as well as cultivation and post-processing operational improvements and optimization;
- Operating income reached \$6.8 million in Q3 2025, compared to an operating income of \$3.6 million in Q3 2024. The improvement was driven by higher sales, lower production costs, which was partially offset by higher sales and marketing expenses year-over-year;
- Income before income taxes was \$5.8 million in Q3 2025, compared to \$2.0 million in Q3 2024. This marks a positive milestone and underscores the continued success and profitability of the Company;
- The Company recorded a Q3 2025 deferred income tax expense of \$1.7 million, compared to nil in the same period of the prior year, resulting in a net income of \$4.1 million and \$2.0 million, respectively;
- Adjusted EBITDA increased by 173%, from \$2.8 million in Q3 2024 to \$7.6 million in Q3 2025;
- The Company generated operating cash flow of \$13.9 million in Q3 2025, compared to \$4.3 million in Q3 2024;
- Free cash flow for Q3 2025 increased by \$10.5 million, from \$1.2 million in Q3 2024 to \$11.7 million in Q3 2025;
- Generated earnings per share of \$0.05 in Q3 2025 compared to \$0.02 in Q3 2024.

Q3 2025 Year-to-date ("YTD") vs Q3 2024 YTD Highlights

- Gross cannabis revenues before excise taxes rose to \$109.5 million for the year-to-date period ending Q3 2025, up from \$78.8 million in the same period in 2024, an increase of \$30.7 million or 39%. This growth reflects deeper market penetration across existing provinces, successful entry into new markets, and the expansion of the Company's product portfolio through the launch of new genetics and SKUs that have strengthened sales performance;
- Total revenues, net of excise taxes, increased to \$79.0 million in Q3 2025 YTD from \$58.7 million in Q3 2024 YTD, a \$20.3 million or 35% increase;
- Gross profit before fair value adjustments increased to \$32.7 million in Q3 2025 YTD from \$20.8 million in Q3 2024 YTD, a \$11.8 million or 57% increase. This increase is attributable to increase production capacity combined with the efficiencies generated from the scale of the operations and various improvements in operations from cultivation to post processing;
- Gross profit percentage before fair value adjustments in Q3 2025 YTD was 41% an increase of 6% compared to 35% in Q3 2024 YTD reflecting our capabilities in economies of scale;
- Operating income of \$16.9 million in Q3 2025 YTD compared to an operating income of \$5.0 million in Q3 2024 YTD, due to increase in sales and reduction in production costs offset by increased sales and marketing costs compared to the prior year period;
- Income before income taxes was \$13.6 million in Q3 2025 YTD compared to \$0.7 million in Q3 2024 YTD;
- The Company recorded a Q3 2025 YTD deferred income tax expense of \$3.8 million, compared to NIL in same period of prior year, resulting in a net income of \$9.8 million and \$0.7 million, respectively;
- Adjusted EBITDA increased by 81 %, from \$11.4 million in Q3 2024 YTD to \$20.7 million in Q3 2025 YTD;
- The Company generated operating cash flow amounting to \$17.2 million in Q3 2025 YTD compared to \$7.5 million in Q3 2024 YTD;
- Free cash flow for Q3 2025 YTD increased by \$11.8 million, from \$0.5 million in Q3 2024 YTD to \$12.3 million in Q3 2025 YTD;
- Generated earnings per share of \$0.11 in Q3 2025 YTD compared to earnings per share of \$0.01 in Q3 2024 YTD.

SELECTED FINANCIAL INFORMATION (continued)**Q3 2025 vs Q2 2025 Quarter over Quarter Highlights**

- Gross cannabis revenues before excise taxes increased by 3%, from \$36.8 million in Q2 2025 to \$37.8 million in Q3 2025. This growth was driven by the organic performance of Cannara's products in Quebec and other provinces, supported by focused sales and marketing efforts to expand distribution outside of Quebec and increase wholesale revenues;
- Total net revenues, net of excise taxes, increased by 3% QoQ, rising from \$26.5 million in Q2 2025 to \$27.3 million. The growth reflects Cannara's continued market share gains across its key provinces;
- Gross profit before fair value adjustments increased by 11% QoQ, rising from \$10.8 million in Q2 2025 to \$12.1 million in Q3 2025. The improvement reflects higher sales driven by ongoing market share gains, as well as cost efficiencies from economies of scale and extensive research and development initiatives that contributed to enhanced gross margins;
- Gross profit percentage before fair value adjustments increased from 41% in Q2 2025 to 44% in Q3 2025. Gross profit increased as cannabis sold during the period resulted from cannabis harvested with higher cultivation yields compared to the previous quarter where inventory sold was affected by lower overall cultivation yields. The Company continues to invest and improve its efficiency and effectiveness of its cultivation with a goal of maximizing its cultivation yield and quality;
- Operating income of \$6.8 million in Q3 2025 compared to an operating income of \$5.9 million in Q2 2025, a \$0.9 million or 15% increase resulting from increased in sales during the quarter as operating expenses remain similar;
- Income before income taxes increased by \$1.1 million or by 23% to \$5.8 million in Q3 2025 compared to \$4.7 million in Q2 2025;
- After inclusion of income tax expense, net income increased by \$0.8 million or by 25% to \$4.1 million in Q3 2025 compared to a net income of \$3.3 million in Q2 2025;
- Adjusted EBITDA increased by \$0.5 million or 7% to \$7.6 million in Q3 2025, compared to \$7.1 million in Q2 2025.
- Cash flow from operating activities increased from negative \$2.6 million in Q2 2025 to \$13.9 million in Q3 2025. This was primarily due to timing of cash flow in Q2 2025 related to the strategic investments in raw material packaging to benefit from bulk pricing and minimize stock-out risk, as well as advance payments of excise tax obligations;
- Free cash flow for Q3 2025 was \$11.7 million compared to negative \$4.0 million in Q2 2025. The \$15.7 million swing reflects past increased profitability and Q2 2025 operational cash outflows related to inventory and excise tax strategy, highlighting the Company's proactive steps to support future growth and supply stability.

CANNARA BIOTECH INC.

Management Discussion & Analysis

For the three and nine-month periods ended May 31, 2025

SELECTED SEGMENT RESULTS OF OPERATIONS

The Company operates in two segments: (1) Cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives and other cannabis services or accessories (“**Cannabis operations**”) and (2) Real estate operations related to the Farnham Facility (“**Real estate operations**”).

The chief operating decision-maker assesses performance based on segment operating results, which were defined as segment operating income before share-based compensation, amortization, net finance expense, gain on disposal of asset held for sale and gain or loss on disposal of property, plant and equipment and right-of-use assets.

Selected Segment Financial Highlights	Three-month period ended May 31, 2025				Three-month period ended May 31, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue	\$ 37,832,038	\$ 965,202	\$ -	\$ 38,797,240	\$ 26,240,815	\$ 1,253,615	\$ -	\$ 27,494,430
Excise taxes	(11,529,208)	-	-	(11,529,208)	(8,019,293)	-	-	(8,019,293)
Net Revenue	26,302,830	965,202	-	27,268,032	18,221,522	1,253,615	-	19,475,137
Other income	64,853	-	-	64,853	69,779	-	-	69,779
	26,367,683	965,202	-	27,332,885	18,291,301	1,253,615	-	19,544,916
Gross profit, before fair value adjustments	11,196,113	861,630	-	12,057,743	4,580,911	1,166,136	-	5,747,047
% ¹	42%	89%	-	44%	25%	93%	-	29%
Gross profit	12,021,133	861,630	-	12,882,763	5,792,120	1,166,136	-	6,958,256
% ²	46%	89%	-	47%	32%	93%	-	36%
Operating expenses	5,633,601	-	-	5,633,601	4,799,942	-	-	4,799,942
Segment operating income ³	6,387,532	861,630	-	7,249,162	992,178	1,166,136	-	2,158,314
% ⁴	24%	89%	-	27%	5%	93%	-	11%
Net finance expense	-	-	972,377	972,377	-	-	1,530,658	1,530,658
Other	-	-	484,435	484,435	-	-	(1,395,730)	(1,395,730)
Segment income (loss) before income taxes	6,387,532	861,630	(1,456,812)	5,792,350	992,178	1,166,136	(134,928)	2,023,386

¹ Segment gross profit, before fair value adjustments, % is determined as segment gross profit, before fair value adjustments, divided by segment total revenues.

² Segment gross profit % is determined as segment gross profit divided by segment total revenues.

³ Segment operating income is determined as segment operating income before non-cash and other items which are included in “Other” segment.

⁴ Segment operating income % is determined as segment operating income divided by segment total revenues.

CANNARA BIOTECH INC.

Management Discussion & Analysis

For the three and nine-month periods ended May 31, 2025

SELECTED SEGMENT RESULTS OF OPERATIONS (continued)

Selected Segment Financial Highlights	Nine-month period May 31, 2025				Nine-month period May 31, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue	\$ 109,504,685	\$ 2,878,765	\$ -	\$ 112,383,450	\$ 78,844,064	\$ 3,077,321	\$ -	\$ 81,921,385
Excise taxes	(33,701,579)	-	-	(33,701,579)	(23,358,345)	-	-	(23,358,345)
Net Revenue	75,803,106	2,878,765	-	78,681,871	55,485,719	3,077,321	-	58,563,040
Other income	307,585	-	-	307,585	148,373	-	-	148,373
	76,110,691	2,878,765	-	78,989,456	55,634,092	3,077,321	-	58,711,413
Gross profit, before fair value adjustments	30,085,760	2,586,356	-	32,672,116	18,006,315	2,817,725	-	20,824,040
% ¹	40%	90%	-	41%	32%	92%	-	35%
Gross profit	32,430,880	2,586,356	-	35,017,236	16,516,385	2,817,725	-	19,334,110
% ²	43%	90%	-	44%	30%	92%	-	33%
Operating expenses	16,478,638	-	-	16,478,638	13,842,819	-	-	13,842,819
Segment operating income ³	15,952,242	2,586,356	-	18,538,598	2,673,566	2,817,725	-	5,491,291
% ⁴	21%	90%	-	23%	5%	92%	-	9%
Net finance expense	-	-	3,318,384	3,318,384	-	-	4,349,098	4,349,098
Other	-	-	1,664,566	1,664,566	-	-	458,148	458,148
Segment income (loss) before income taxes	15,952,242	2,586,356	(4,982,950)	13,555,648	2,673,566	2,817,725	(4,807,246)	684,045

¹ Segment gross profit, before fair value adjustments, % is determined as segment gross profit, before fair value adjustments, divided by segment total revenues.

² Segment gross profit % is determined as segment gross profit divided by segment total revenues.

³ Segment operating income is determined as segment operating income before non-cash and other items which are included in "Other" segment.

⁴ Segment operating income % is determined as segment operating income divided by segment total revenues.

SELECTED SEGMENT RESULTS OF OPERATIONS (continued)**Cannabis operations**

For the three and nine-month periods ended May 31, 2025, the segment generated \$26.3 million and \$75.8 million in cannabis-related and cannabis accessories revenues, net of excise taxes, compared to \$18.2 million and \$55.5 million for the same periods of the prior year, an increase of \$8.1 million or 44% and \$20.3 million or 37%. Compared to Q2 2025, the segment increased its net revenues by 3%, from \$25.5 million to \$26.3 million. The increase in sales is attributable to the increasing demand for its products across the country. Periodically, the Company also utilizes its wholesale distribution network to generate additional revenues.

For the three and nine-month periods ended May 31, 2025, the Company incurred \$15.2 million and \$46.0 million in costs of goods sold, compared to \$13.7 million and \$37.6 million for the same periods of the prior year. In Q3 2025, cost of goods sold decreased by \$0.5 million or 3%, compared to Q2 2025, reflecting effective cost management, improved cannabis yields, and a favorable product mix, which together reduced the overall cost of inventory sold during the period.

The segment generated a gross profit before fair value adjustments of \$11.2 million or 42% of segment net revenue and \$30.1 million or 40% of segment net revenue for the three and nine-month periods ended May 31, 2025, compared to \$4.6 million or 25% and \$18.0 million or 32% of segment total revenue for the same periods of the prior year. Compared to Q2 2025, gross profit before fair value adjustments increased by \$1.2 million or 12%.

The change in fair value of inventory sold recognized during the three and nine-month periods ended May 31, 2025 amounted to \$6.5 million and \$19.3 million compared to \$5.1 million and \$17.2 million for the same periods of the prior year. Compared to Q2 2025, the change in fair value of inventory sold decreased by \$0.4 million.

For the three and nine-month periods ended May 31, 2025, the Company recognized an unrealized gain on changes in fair value of biological assets of \$7.3 million and \$21.6 million on the lots in the cultivation cycle that have not yet been harvested compared to \$6.3 million and \$15.7 million for the same periods of the prior year. Compared to Q2 2025, the unrealized gain on changes in fair value of biological assets in Q3 2025 decreased by \$0.7 million. The change in fair value of biological assets is the result of revisions to the assumptions used in the fair value model, which are adjusted to reflect changes in the operations.

The segment generated \$12.0 million or 46% and \$32.4 million or 43% in gross profit three and nine-month periods ended May 31, 2025 compared to \$5.8 million or 32% and \$16.5 million or 30% for the same periods of the prior year. This change is attributable to the increased sales combined with a reduction in the production cost. Compared to Q2 2025, gross profit increased by \$0.9 million or 8%.

For the three and nine-month periods ended May 31, 2025, the segment incurred \$5.6 million and \$16.5 million in operating expenses compared to \$4.8 million and \$13.8 million for the same periods of the prior year resulting in an increase of \$0.8 million or 17% and \$2.7 million or 19%. The increase in operating expenses is mainly attributable to increase sales and marketing initiatives in addition to salaries and facility expenses to support growth of the Company. Compared to Q2 2025, operating expenses in Q3 2025 slightly increased by \$0.1 million or 2%.

Overall, the segment generated net income of \$6.4 million and \$16.0 million for the three and nine-month periods ended May 31, 2025, compared to net income of \$1.0 million and \$2.7 million for the same periods of the prior year.

SELECTED SEGMENT RESULTS OF OPERATIONS (continued)**Real estate operations**

As part of the Company's capital management strategy, the Company has leased out all unoccupied space in the Farnham Facility. As of May 31, 2025, the Company leased 414,114 square feet of the total 625,000 available square feet to two tenants.

For the three and nine-month periods ended May 31, 2025, the Company generated lease revenues of \$1.0 million and \$2.9 million compared to \$1.3 million and \$3.1 million for the same periods of the prior year. To realize these lease revenues during the three and nine-month periods ended May 31, 2025, the Company incurred \$0.1 million and \$0.3 million in lease operating costs, which remain consistent compared to the prior year periods. The lease revenues generated and operating costs incurred are similar quarter over quarter.

Other

For the three and nine-month periods ended May 31, 2025, the segment incurred \$1.0 million and \$3.3 million in net finance expense, respectively, compared to \$1.5 million and \$4.3 million for the same periods in the prior year, representing a 36% and 24% decrease in net finance expense respectively. The year-over-year reduction reflects lower interest expenses resulting from both a decrease in the Bank of Canada's benchmark interest rate and the repayment of principal on outstanding debt. Compared to Q2 2025, net finance expense in Q3 2025 decreased by \$0.2 million or 15%.

For the three and nine-month periods ended May 31, 2025, the segment recorded \$0.5 million and \$1.7 million in other expenses, respectively, compared to a net gain of \$1.4 million and expense of \$0.5 million in the same periods of the prior year. In the prior year period, the Company recognized a gain of \$2 million on the sale of an asset held for sale. Excluding this non-recurring transaction in the prior year period, other expenses in Q3 2025 decreased by \$0.2 million and \$0.8 million for Q3 2025 YTD. Compared to Q2 2025, other expenses in Q3 2025 remain similar.

CANNARA BIOTECH INC.

Management Discussion & Analysis

For the three and nine-month periods ended May 31, 2025


QUARTERLY FINANCIAL POSITION AND RESULTS

The following table sets forth, for the quarter indicated, information relating to the Company's consolidated financial position as well as total revenues, gross profit before fair value adjustments, operating income (loss), net income (loss) attributable to Shareholders of the Company, related basic and diluted earnings (loss) per share attributable to Shareholders of the Company, adjusted EBITDA and cash provided by operating activities and free cash flow for the eight completed fiscal quarters to date:

		May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023
Current assets	\$	84,002,297	\$ 75,210,420	\$ 73,245,207	\$ 67,473,844	\$ 62,020,524	\$ 58,224,875	\$ 52,762,707	\$ 51,695,836
Non-current assets		86,085,058	86,196,888	87,758,733	87,246,129	86,747,778	87,599,787	92,059,206	89,826,418
Total assets		170,087,355	161,407,308	161,003,940	154,719,973	148,768,302	145,824,662	144,821,913	141,522,254
Current liabilities	\$	34,616,948	\$ 32,051,900	\$ 36,504,270	\$ 27,002,000	26,777,902	60,090,241	22,261,932	21,182,827
Non-current liabilities		36,877,001	35,166,943	33,920,914	39,766,484	40,222,572	6,394,151	40,700,914	40,595,383
Total liabilities		71,493,949	67,218,843	70,425,184	66,768,484	67,000,474	66,484,392	62,962,846	61,778,210
Net assets	\$	98,593,406	\$ 94,188,465	\$ 90,578,756	\$ 87,951,489	\$ 81,767,828	\$ 79,340,270	\$ 81,859,067	\$ 79,744,044

		May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023
Total revenues	\$	27,332,885	\$ 26,586,157	\$ 25,070,414	\$ 23,438,170	\$ 19,544,916	\$ 19,683,203	\$ 19,483,294	\$ 18,278,613
Gross profit before fair value adjustments		12,057,743	10,832,609	9,781,764	7,040,411	5,747,047	7,141,276	7,935,717	6,894,634
% ¹		44%	41%	39%	30%	29%	36%	41%	38%
Gross profit		12,882,763	11,955,588	10,178,885	10,854,593	6,958,256	4,140,498	8,235,356	9,844,782
Operating income (loss)		6,764,727	5,877,226	4,232,079	5,045,008	3,554,044	(1,959,547)	3,438,646	5,831,306
Net income (loss)		4,142,169	3,314,541	2,305,863	5,754,439	2,023,386	(3,446,620)	2,107,279	4,631,879
Basic and diluted earnings (loss) per share	\$	0.05	\$ 0.04	\$ 0.03	\$ 0.06	\$ 0.02	\$ (0.04)	\$ 0.02	\$ 0.05
Adjusted EBITDA ²		7,600,525	7,086,199	5,997,320	3,688,234	2,776,397	3,500,320	5,170,812	4,906,640
% ³		28%	27%	24%	16%	14%	18%	27%	27%
Cash provided by operating activities		13,901,854	(2,550,030)	5,834,463	3,186,518	4,325,380	2,388,100	782,912	2,887,872
Free cash flow ⁴		11,695,141	(4,018,763)	4,617,194	2,693,427	1,242,527	1,268,702	(1,990,706)	1,107,464

¹ Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.

² Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS. A reconciliation of this amount for the applicable period is presented in the table below.

³ Adjusted EBITDA % is a non-GAAP financial ratio and is determined as Adjusted EBITDA divided by Total revenues.

⁴ Free cash flow is a non-GAAP financial performance measure with no standard definition under IFRS and is defined as cash flow from operations less capital expenditures.

CASH FLOW ANALYSIS

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Cash provided (used) by operating activities	\$ 13,901,854	\$ 4,325,380	\$ 17,186,287	\$ 7,496,392
Cash used in financing activities	(2,413,275)	(1,047,432)	(4,692,214)	(1,550,399)
Cash used in investing activities	(2,136,335)	(944,199)	(4,706,891)	(4,752,132)

Operating activities

For the three and nine-month periods ended May 31, 2025, the Company generated positive operating cash flow of \$13.9 million and \$17.2 million, respectively, compared to \$4.3 million and \$7.5 million in the prior year. This increase was primarily driven by business scale-up, with significant year-over-year growth in total revenues and gross profit before fair value adjustments.

Financing activities

For the three and nine-month periods ended May 31, 2025, cash used in financing activities totaled \$2.4 million and \$4.7 million, respectively, compared to \$1.0 million and \$1.6 million in the same periods of the prior year. The increase was primarily due to the \$1.0 million repayment on the convertible debenture in Q3 2025, along with lower offsetting amounts from the revolving credit facilities, as less was drawn compared to the prior year.

Investing activities

For the three and nine-month periods ended May 31, 2025, cash used in investing activities totaled \$2.1 million and \$4.7 million, respectively, compared to \$1.0 million and \$4.8 million in the prior year. In Q3 2024, the Company had received \$2.1 million from the sale of an asset held for sale. The consistent investment levels reflect Cannara's ongoing commitment to expanding the Valleyfield facility to support growth, with current-year capital expenditures focused on opening additional cultivation zones and enhancing post-harvest capabilities.

LIQUIDITY AND CAPITAL RESOURCES

As of the date of this MD&A, the operations were financed primarily through cash generated from the sale of cannabis products, recurrent lease revenues along with funds raised in equity financings secured in previous quarters, debt raised against immoveable assets and government grants to support the Company's cash flow. The Company's objectives when managing its liquidity, its capital resources and to meet its capital requirements is to generate sufficient cash to fund the Company's operations and working capital requirements.

The Company had a working capital of \$49.4 million as at May 31, 2025 (August 31, 2024 - \$40.5 million).

As at May 31, 2025, the Company's working capital was composed of:

- cash on hand of \$14.4 million (August 31, 2024- \$6.6 million);
- accounts receivable, biological assets, inventory, assets held for sale, prepaid expenses and other assets of \$69.6 million (August 31, 2024 - \$60.9 million);
- accounts payable and accrued liabilities, excise tax payable, sales tax payable, deferred lease revenue and deferred grant income of \$21.2 million (August 31, 2024- \$17.5 million); and
- credit facilities, and current portion of convertible debenture, long-term debt, lease liabilities and term loan of \$13.4 million (August 31, 2024 - \$9.5 million).

LIQUIDITY AND CAPITAL RESOURCES (continued)

The Company may continue to have capital requirements more than its currently available resources. In the event the Company's plans or its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. The Company expects that its existing cash resources as at May 31, 2025 along with its forecasted cashflows, undrawn credit facilities and other sources such as proceeds from the disposal of assets held for sale, will be able to fund its planned operating expenses for at least the next twelve months from May 31, 2025.

Reconciliation of working capital

Working capital is a non-IFRS Measure and can be reconciled with total current assets and total current liabilities, the most directly comparable IFRS financial measure, as detailed below.

Reconciliation of working capital	As at May 31, 2025		As at August 31, 2024	
Total current assets	\$	84,002,297	\$	67,473,844
Total current liabilities		34,616,948		27,002,000
Working capital*	\$	49,385,349	\$	40,471,844

*Non-IFRS financial measure

Financing

Type of loan	Interest Rate	Maturity	Balance as at May 31, 2025	Balance as at August 31, 2024
Revolving credit facility A ⁽¹⁾	5.77%	July 13, 2025	\$ 1,298	\$ 1,298
Revolving credit facility B ⁽¹⁾	6.26%	July 27, 2025	6,258,000	6,258,000
Revolving credit facility C ⁽¹⁾	5.77%	July 13, 2025	500,000	-
Term loan ⁽¹⁾	5.77%	December 31, 2027 ⁽³⁾	33,928,607	34,976,596
Convertible debenture ⁽²⁾	10.75%	March 31, 2028 ⁽³⁾	6,012,557	6,442,350

¹ The credit facilities terms are 30, 60 or 90 days depending on management's decision and can be renewed at the end of the period. The credit facilities and the term loan bear a variable interest rate or CORRA plus an applicable margin based on the credit agreement. As at May 31, 2025, the average interest rate was 6.22% on the credit facilities and 5.77% on the term loan. The reduction of the interest rate compared to the prior quarter of 2025 is mainly the results of the Company's achievement of certain covenant thresholds, which lowered the applicable interest rate margin on its debt. The Company has to respect financial covenants including maintaining a certain minimum liquidity coverage, and respecting certain financial ratios, in accordance with its amended and restated credit Facility, a copy of which has been filed on SEDAR+. As at May 31, 2025, the Company met all of the imposed covenants.

² The convertible debenture bore an interest at 10.75%. Under the amended agreement signed in January 2025, certain partial repayments are due in the next year and the terms about the interest repayment has been modified. A repayment of \$1.0 million occurred during Q3 2025, resulting in a remaining capital amount to pay of \$4.7 million. Interest accrued until September 30, 2025 can be paid in cash or in common shares at the choice of the Company and afterwards, they would be payable quarterly in cash.

³ In January 2025, the Company executed amendments to extend the maturity dates of its term loan from December 31, 2025 to December 31, 2027, and its convertible debentures from September 30, 2025 to March 31, 2028.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Other contractual obligations

	Carrying amount	Less than one year	One to three years	Total contractual amount
Accounts payable and accrued liabilities	\$ 12,281,496	\$ 12,281,496	\$ -	\$ 12,281,496
Revolving credit facilities	6,759,298	6,759,298	-	6,759,298
Lease liabilities ⁽²⁾	468,948	319,779	185,137	504,916
Convertible debenture	6,012,557	4,009,287	2,009,567	6,018,854
Term loan ⁽¹⁾	33,928,607	1,965,961	32,438,359	34,404,320

¹ The contractual obligations relating to the term loan has been presented based on the contractual repayment term which is set to mature on December 31, 2027.

² The Company is committed to future minimum annual lease with respect to a lease for the head office, several car leases and pieces of production equipment. These figures are undiscounted future payments.

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, other than the items described below.

The Company holds a \$5.5 million letter of credit to cover deposit requirements with a provincial supplier, which is expected to gradually decrease as electricity is consumed at the Valleyfield Facility. Subsequent to quarter-end, the Company secured an additional \$100,000 letter of credit as collateral for services with another supplier.

During Q2 2025, the Company also signed a side convertible debenture agreement with a related party of the Company to fund the second partial repayment of the convertible debenture. The agreement is under the same conditions as the current convertible debenture, bearing interest at 10.75%, compounded semi-annually, and maturing on March 31, 2028.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include entities related by virtue of key management personnel and directors exercising significant influence or control over the entities' financial and operating policies. Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.

Transaction with a related party

For the three and nine-month periods ended May 31, 2025, the Company recognized \$212,000 and \$708,000 as interest expense on the convertible debentures and debt financing guarantee fees compared to \$157,000 and \$469,000 for the same periods of the prior year. The Company also paid \$62,000 and \$186,000 in rent and incurred \$61,000 and \$68,000 in other expenses or capital expenditures for the three and nine-month periods ended May 31, 2025, compared to \$61,000 and \$174,000 in rent and \$7,000 and \$14,000 in other expenses for the same periods of the prior year.

As at May 31, 2025, accrued interest of \$1.3 million on the \$5.7 million convertible debenture was included in the carrying amount of the convertible debenture (as at August 31, 2024 – accrued interest of \$836,000), and accrued fees on the debt financing guarantee fees amounted to \$295,000 as were included in accounts payable and accrued liabilities (as at August 31, 2024 - \$63,000). The Company also recognized \$384,000 as lease liabilities as at May 31, 2025, regarding a lease arrangement for the head office (August 31, 2024 – \$562,000).

These transactions are considered related to the Company as the shareholder of the related party is also a director on the Company's Board of Directors.

Key management personnel compensation

For the three and nine-month periods ended May 31, 2025, salaries and benefits incurred for key management personnel amounted to \$244,000 and \$731,000 (2024 - \$225,000 and \$675,000); share-based compensation attributable to key management and directors was \$196,000 and \$759,000 (2024 - \$357,000 and \$1.4 million) and director fees were \$37,500 and \$112,500 (2024 - \$25,000 and \$75,000). As at May 31, 2025, the Company owed \$205,000 (August 31, 2024 - \$102,000) to key management personnel and \$37,500 (August 31, 2024 – \$21,000) to directors for accrued salaries and vacation expenses.

FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instruments related to risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash balances, lease receivables from customers and deposits.

Cash balances in an asset position exposes the Company to credit risk arising from the potential default by counterparties that carry the Company's cash balances or agree to deliver currencies. The Company attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. The financial institution providing the Company's credit facility meet these qualifications.

The carrying amount of the accounts receivable is presented net of an allowance for expected credit losses, estimated by the Company's management based, in part, on the age of the specific receivable balance and the current and expected collection trends.

As at May 31, 2025, none of the receivables were past due. The allowance for expected credit loss was nominal as at May 31, 2025. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due or can only do so at an excessive cost. The Company manages this risk by reviewing its capital requirements on an ongoing basis by maintaining cash flow forecasts and long-term operating and strategic plans.

As at May 31, 2025, the Company had current assets of \$84.0 million and current liabilities of \$34.6 million, for a working capital balance of \$49.4 million. The Company expects that its existing cash resources of \$14.4 million as at May 31, 2025, along with its forecasted cashflows, undrawn credit facilities and other sources like proceeds from the disposal of assets held for sale, will be able to fund its planned operating expenses for at least the next twelve months from May 31, 2025.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not use derivative financial instruments to reduce its interest rate exposure as management does not believe the Company's exposure is significant.

Concentration risk

The Company has a significant concentration of its revenues generated from customers that, if eliminated, would have a significant impact on the Company's operations. During the third quarter of 2025, the Company generated 83% of its cannabis revenues from three provincial distributors, compared to 89% of its cannabis revenues earned from three provincial distributors during the same period of the prior year.

CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgments, and assumptions. The carrying amounts of assets, liabilities, and other financial obligations, as well as the determination of fair values and reported income and expense in these consolidated financial statements, depend on the use of estimates and judgments. IFRS also requires management to exercise judgment in the process of choosing and applying the Company's accounting policies.

These estimates and judgments are based on the circumstances and estimates at the date of the consolidated financial statements and affect the reported amounts of income and expenses during the reporting period.

Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgments are outlined below.

Disclosure of the Company's critical accounting estimates and assumptions is presented in note 3 of the audited consolidated financial statements for the year ended August 31, 2024.

RISK FACTORS

For a detailed discussion of business risk factors, please refer to the Company's AIF, available on SEDAR+ at www.sedarplus.ca and under the "Investor Area" section of our website at <https://www.cannara.ca/en/investor-area>.

MATERIAL ACCOUNTING POLICIES

The financial information presented in this MD&A has been prepared in accordance with IFRS Accounting Standards. Our material accounting policies are set out in note 3 of the audited consolidated financial statements for the year ended August 31, 2024.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of July 25, 2024:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	91,433,135 common shares
	5,039,071 stock options
	202,500 RSUs
	625,000 PSUs
	2,611,111 contingently issuable common shares upon conversion of convertible debentures



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